



The Role Of Trading Frequency And Transaction Cost On Asset Pricing: Evidence From Pakistan Stock Exchange

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Abstract

This paper compares price impact ratio (Amihud, 2002) and new price impact ratio (Florackis, Gregoriou, & Kostakis, 2011) by taking daily data from Pakistani market for a period of 14 years ranging from January 2000 to December 2013. The first part of the paper covers the comparison of deciles portfolios and the second part covers risk adjusted deciles portfolios. Results suggest that new price impact model gives better results as compared to extensively applied price impact model and confirms that costs of transaction and trading frequency jointly effect asset pricing. Therefore, both the aspects should be studied mutually rather than in isolation.

Keywords: liquidity, price impact ratio, new price impact ratio, transaction cost, trading frequency

JEL Classification Codes: G10; G12; G14

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